

Message Text

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ACTION NEA-10

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FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC 1210

C O N F I D E N T I A L MUSCAT 663

E.O. 11652: GDS

TAGS: EFIN, MU

SUBJECT: OMANI FINANCES: UBAF SYNDICATE

REF: (A) STATE 132189; (B) MUSCAT 654

1. IN COURSE OF JUNE 11 CONVERSATION, FONMIN ZAWAWI CONFIRMED TO CHARGE THAT OMANGOV WILL GO AHEAD WITH UBAF LOAN (MUSCAT REFTEL). UBAF REPRESENTATIVES PRESENTLY IN MUSCAT; ONE OF OBJECTIVES IS TO AGREE ON WORDING OF PROSPECTUS WHICH UBAF WILL USE IN FLOATING LOAN. ZAWAWI STATED THAT LOAN WOULD NOT BE EARMARKED FOR SPECIFIC PROJECTS; IN FACT, OMANGOV MIGHT NOT USE FUNDS, OPTING INSTEAD TO PAY COMMITMENT FEE (WHICH HE THOUGHT WAS 1/8 PERCENT--WHICH SOUNDS UNREALISTICALLY LOW TO US).

2. INCIDENTALLY, EMBASSY CALCULATIONS ARE THAT ANTICIPATED GOVERNMENT REVENUES DURING 1975 SHOULD BE IN \$1.1 BILLION RANGE--BASED ON PRESUMED AVERAGE PRODUCTION OF 320,000 BPD AND GOVERNMENT TAKE OF \$9.20/BBL.

3. COMMENT: DESPITE FINANCE COUNCIL DECISION TO GO AHEAD, IT SEEMS THAT UBAF LOAN IS NOT YET ASSURED. BANK STILL HAS TO RAISE FUNDS, AND BASED ON STATE REFTEL, THIS MAY NOT BE AS EASY AS OMANIS WOULD LIKE TO THINK. AT ANY RATE, WE ANTICIPATE THAT ANY FUNDS WHICH MAY BECOME AVAILABLE THROUGH UBAF WILL BE USED. CONCEIVABLE FINANCIAL/ECONOMIC ARGUMENTS FOR UNUSED LINE OF CREDIT NOT APT TO CARRY THE DAY AGAINST PRESSURES TO
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MOVE AHEAD WITH COSTLY (AND LUCRATIVE) PROJECTS. IN

ADDITION, GENERAL ASSUMPTION AMONG OBSERVERS HERE IS THAT
\$200 MILLION SAUDI ASSISTANCE ESSENTIALLY WILL GO TO MEET
CURRENT OBLIGATIONS. WE ARE TOLD, FOR EXAMPLE, THAT GOVERN-
MENT OWES PAULING, A SINGLE CONTRACTOR, 26 MILLION R.O. (ABOUT
\$75 MILLION).
ZWEIFEL

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